

Message Text

CONFIDENTIAL

PAGE 01 TANANA 00109 260120Z

11

ACTION AF-18

INFO OCT-01 EUR-25 ISO-00 FEA-02 NEA-11 SCI-06 SPC-03

AID-20 EB-11 NSC-10 RSC-01 CIEP-02 TRSE-00 SS-20

STR-08 OMB-01 CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 DRC-01 INT-08 /214 W

----- 095114

R 251315Z JAN 74

FM AMEMBASSY TANANARIVE

TO SECSTATE WASHDC 5959

INFO AMEMBASSY ADDIS ABABA

USINT ALGIERS

AMEMBASSY PARIS

C O N F I D E N T I A L TANANARIVE 0109

E.O. 11652: GDS

TAGS: ENRG, ETRD, MA

SUBJ: MALAGASY GOVERNMENT (GOMR) AND FOREIGN OIL

COMPANIES DISPUTE DOMESTIC PETROLEUM PRICES

BEGIN SUMMARY: DESPITE LEAP IN PRICE OF CRUDE, GOMR HAS NOT ALLOWED FOREIGN DISTRIBUTORS TO INCREASE DOMESTIC PRICES OF PETROLEUM PRODUCTS. FIRMS MAY BE FORCED TO STOP CRUDE DELIVERIES TO TAMATAVE REFINERY WHICH SUPPLIES COUNTRY WITH BULK OF ITS REFINED PRODUCTS. SO FAR, NEGOTIATIONS BETWEEN FIRMS AND GOMR BEING CONDUCTED IN FREINDLY ATMOSPHERE AND PUBLIC HAS NOT BEEN INFORMED ABOUT PROBLEM. END SUMMARY.

1. FOREIGN OIL DISTRIBUTORS, INCLUDING TWO U.S. FIRMS, ESSO AND CALTEX, AND GOMR CANNOT AGREE ON WHAT EFFECT LARGE INCREASES IN CO T OF CRUDE OIL SHOULD HAVE ON DOMESTIC PRICES OF REFINED PETROLEUM PRODUCTS. ACCORDING TO ESSO AND CALTEX REPS, OIL COMPANIES HAVE ASKED GOMR FOR NEW FORMULA WHICH WOULD ALLOW FOR VERY SUBSTANTIAL RISE IN PRICE OF ALL REFINED OIL PRODUCTS.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TANANA 00109 260120Z

(THEY ALSO INDICATED PRESENT PRICE OF CRUDE THREE TIMES AVRAGE

PRICE PAID IN 1973.) UNDER FORMULA IN EFFECT UNTIL JANUARY 1, DOMESTIC PRICES WERE ESTABLISHED QUARTERLY ON BASIS OF AVERAGE PRICES IN PERSIAN GULF AREA FOR PREVIOUS QUARTER. UNDER THIS FORMULA GOMR HAD ALLOWED NO SIGNIFICANT CHANGE IN PRICES DURING LAST QUARTER 1973, AND IT IS NOW APPARENTLY RESISTING ESTABLISHMENT OF NEW ARRANGEMENT WHICH WOULD ALLOWHARGE PRICE INCREASES.

2. UNLESS CONFLICT RESOLVED QUICKLY, MADAGASCAR COULD SOON FACE SERIOUS SHORTAGE OF OIL PRODUCTS. COUNTRY4S ONE REFINERY AT TAMATAVE, WHICH SUPPLIES COUNTRY WITH ALMOST ALL REFINED PRODUCTS, HAS STOPPED OPERATIONS SEVERAL DAYS AGO FOR WANT OF CRUDE. ALTHOUGH TWO SHIPS WITH 60,000 BARRELS OF CRUDE SCHEDULED BEFORE END OF MONTH, OIL COMPANIES HAVE INFORMED GOMR THAT THESE DELIVERIES CANNOT BE MADE IF REFINED PRODUCT PRICES NOT SUBSTANTIALLY INCREASED. COUNTRY NOW HAS ABOUT SIX WEEKS SUPPLY OF MOST REFINED PRODUCTS, THOUGH CONSIDERABLY LESS FOR CERTAIN ITEMS.

3. IT SEEMS LIKELY THAT GOMR HAS DELAYED RAISING PRICES HOPING THAT ARABS WOULD PROVIDE CHEAPER CRUDE TO MADAGASCAR AND OTHER AFRICAN COUNTRIES. NOW THAT THIS POSSIBILITY SEEMS UNLIKELY, IT IS DOUBTFUL GOMR CAN CONTINUE FOR VERY LONG TO DELAY PRICE INCREASE. WE WOULD IMAGINE, HOWEVER, THAT FINAL DECISION WILL BE DELAYED UNTIL FOREIGN MINISTER RATSIRAKA RETURNS FROM ALGERIA WHERE HE ARRIVED JAN 24 AND WHERE HE IS BELIEVED TO BE MAKING ATTEMPT TO SECURE CRUDE AT LOWER PRICES.

4. SO FAR NEGOTIATIONS HAVE APPARENTLY BEEN CONDUCTED IN FRIENDLY ATMOSPHERE, AND OIL COMPANIES HAVE ATTEMPTED TO AVOID PRESENTING THEIR REQUEST AS ULTIMATUM. ALTHOUGH ONE HIGH-LEVEL ECON/FIN MINISTRY OFFICIAL AT ONE STAGE IN DISCUSSIONS REPORTEDLY TOLD OIL COMPANIES THEY SHOULD USE THEIR PAST PROFITS TO MAINTAIN PRICES AT PRESENT LEVELS, OIL COMPANY REPS GENERALLY FEEL GOMR WILL FINALLY HAVE TO ACCEPT MORE REASONABLE POSITION ON PRICING. PUBLIC WHICH CONTINUES TO ENJOY PRE-OIL CRISIS PRICES WITHOUT ANY RESTRICTIONS ON USE OF PETROLEUM PRODUCTS HAS NOT BEEN INFORMED ABOUT DISPUTE OVER PRICES.

5. IN PAST, RELATIONS BETWEEN RAMANANTSOA GOPRNMNT AND
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 TANANA 00109 260120Z

DISTRIBUTORS HAVE BEEN EXCELLENT. DESPITE PRESENT MOVES TO "MALAGASIZE" ECONOMY, GOMR HAS MADE NO SUGGESTION IT PLANS TO MOVE INTO PETROLEUM PRODUCT DISTRIBUTION FIELD. HOWEVER, WE UNDERSTAND GOMR HAS ALREADY INFORMED OIL COMPANIES THAT IN NEAR FUTURE IT WANTS TO INCREASE STATE PARTICIPATION IN OWNERSHIP OF TAMATAVE REFINERY, NOW ONLY 13 PERCENT. ACCORDING ONE CALTEX OFFICIAL, DURING EARLIER VISIT TO ALGIERS RATSIRAKA WAS JIBED BY ALGERIANS ABOUT MADAGASCAR'S LARGELY FOREIGN-OWNED AND OPERATED

REFINERY IN RESPONSE TO HIS APPEALS FOR CRUDE.
MENDENHALL

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PRODUCTS, SUPPLIES, PRICES, PETROLEUM REFINING
Control Number: n/a
Copy: SINGLE
Draft Date: 25 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: kelleyw0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TANANA00109
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: TANANARIVE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740114/aaaaamtk.tel
Line Count: 117
Locator: TEXT ON-LINE
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: NED PRODUCTS. SO FAR, NEGOTIATIONS B, ETWEEN FIRMS AND GOMR
Review Action: RELEASED, APPROVED
Review Authority: kelleyw0
Review Comment: n/a
Review Content Flags:
Review Date: 29 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 APR 2002 by ifshinsr>; APPROVED <30-Sep-2002 by kelleyw0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MALAGASY GOVERNMENT (GOMR) AND FOREIGN OIL COMPANIES DISPUTE DOMESTIC PETROLEUM PRICES
TAGS: ENRG, ETRD, MA, ESSO OIL CO, CALTEX
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005